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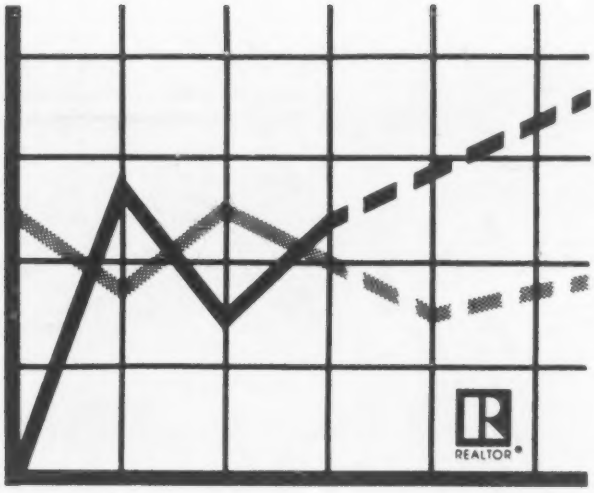
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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U.S. ECONOMIC AND REAL ESTATE OUTLOOK

The Overall Economy

The economy is just starting to emerge from the recession despite high interest rates (even after adjusting for inflation) which have been restricting investment, exports and consumer durable purchases.

After falling 2.6 percent over the previous six months, the economy improved slightly in the April to June period. While net exports and nonresidential investment declined significantly during the second quarter, consumer spending rose more than enough to make up the difference, leaving overall output up at an annual rate of 1.7 percent from the first quarter. Industrial production continued to fall in the second quarter, but is likely to improve during the summer.

The stage seems set for a modest recovery in the second half of the year. Short-term interest rates have recently started to decline in a trend which should continue until late in the year. Long-term rates will soon ease modestly, enough to encourage improvement in housing by the fall. Investment in nonresidential structures should show improvement by the spring.

Little stimulus can be expected from the foreign trade sector. High interest rates continue to overvalue the dollar, making U.S. exports to be expensive and imports to be inexpensive, thus reducing jobs and productivity within the U.S. The economy received a $45 billion increase in after-tax income by the July tax rate reductions and social security benefit increases. As a result, consumption should increase and after a few months of adjusting to higher income, savings should continue at low levels and investment should be unaffected, except for the resulting higher federal deficit and borrowing caused by the tax cut taking funds away from the private sector and keeping interest rates higher than otherwise. The stimulus of consumption should be sufficient to keep overall economic growth in the two to three percent range during the next 18 months--half or less of the pace of a normal economic recovery.

Ironically, the forecast stagnation in investment growth and rapid upturn in consumption is the opposite of the intent of Congress and the Administration when the Economic Recovery Tax Act (ERTA) was passed last year. ERTA was designed to increase the rate of capital formation in the United States and improve productivity. To make room for this upsurge in investment, consumer spending needed to grow less rapidly and government spending and deficits needed to decline to allow savings and investment to occur in housing and industry. The share of consumption in overall national output has continued to rise despite ERTA and the government deficit has expanded, siphoning funds out of private investment in housing and new productivity-increasing plant and equipment. With the economy growing only modestly, interest rates should stay relatively high, and a strong upturn in investment may be delayed until 1984.

May and June saw an end to six months of unsustainably low inflation figures as consumer prices rose at a 12.7 percent annual compared rate. While some of this dramatic acceleration represents technical factors and poor sampling techniques in the Government's measurement of consumer prices, there can be no doubt that faster inflation can be expected over the next 18 months than during the first six months of this year. Oil prices are starting to rise again and businesses have almost finished inventory drawdowns which had placed downward pressure on prices during the first half of the year. Inflation can be expected to remain around eight percent through 1984.

The unemployment rate is expected to peak in the third quarter of this year at 9.7 percent before starting a gradual decline over the next two years. By historic standards, the unemployment rate will remain high--close to nine percent next year--and significantly above the levels anticipated by the federal government when estimating spending and recovery levels in 1983.

Federal Finances

After months of negotiations, Congress in June approved a First Concurrent Budget Resolution which calls for $770 billion in federal spending and projects $666 billion in federal revenues in FY1983. This would leave a projected $104 billion deficit for next year (see Table 1). Already, however, the Administration has started the traditional "upward revision" of its deficit estimates and recently predicted a $115 billion FY1983 deficit--even under the provisions of the resolution.

Table 1

Budget Spending, Taxes and Deficits
Fiscal Year, $billions

	1982		1983		1984	
	Admin	Realtors	Admin	Realtors	Admin	Realtors
Federal Spending	731.0	734.5	761.5	784.1	812.5	847.1
Federal Revenues	628.4	616.7	665.9	640.5	738.0	697.3
Federal Budget Surplus (+) or Deficit (-)	-105.7	-117.8	-103.9	-143.6	-83.9	149.8

The resolution calls for $95 billion in additional tax receipts during the 1983 through 1985 period compared with current law estimates. Spending cuts over this three-year period will estimate $172 billion including $146 billion in nondefense cuts.

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These government deficit projections, while still leading to excessive drainage on savings, at least represent a significant improvement over the early forecasts of $180 billion in FY1983 and as much as $240 billion in FY1985.

However, there is still a long way to go before these good intentions can be translated into action. Over the past decade, actual federal spending has significantly exceeded initial forecasts--often by $40 billion or more--and there's a strong chance that this record will be repeated in 1983. For one thing, the government spending estimates assume very strong economic growth, relatively low unemployment rates and a sharp drop in interest rates over the period 1983 through 1985. If, as is likely, the economy stays on a more realistic slower growth track--with real GNP rising only 2.5 percent next year compared with the 4.0 percent estimate used by Congress--and high interest rates continue, another $40 billion plus spending overrun in 1983 is likely. Efforts to reduce spending will also be hampered by the concentration of the proposed cuts in nondefense areas, by delays in determining and reducing social security spending and by the relatively small proportion of spending cuts which are continued in the all-important reconciliation provision of the resolution. Moreover, there are already indications that the govenment's projections for defense outlays are underestimated by about $8 billion in FY1983 and as much as $25 billion in FY1985.

It is still too early in the budget process to tell if Congress' proposed cuts will indeed be achieved. Nevertheless, financial markets have so far remained wary of recent Congressional intention, with long-term interest rates staying high as lenders fear deficits of well over $100 billion in each of the three fiscal years.

Interest Rates and Financial Markets

Short-term interest rates fell significantly during the middle of July as the sharp decline in the nation's money supply greatly reduced the probability of a policy of tighter credit by the Federal Reserve. This more than offset fears in the financial markets that federal borrowing requirements would continue to grow.

After five months of rapid growth, during June the low level of economic activity began to have the long-awaited impact on money supply growth. M1 declined nearly $9 billion within three weeks and even after the large jump in money supply during the first week of July, growth was well within target for M1 for the first time in 1982.

This has allowed the Federal Reserve to ease monetary policy slightly and add reserves to the banking system in order to keep money supply from declining too rapidly. In another measure designed to encourage interest rates to fall, the Fed has lowered the discount rate to 11 percent from 12 percent in June. Although the prime rate has only fallen 1 to 1-1/2 percent to 15 to 15-1/2 percent, other major instruments in the money markets have declined significantly. Federal funds have fallen from 14-1/2 percent in early July to

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11 percent during the week of July 23. Similarly, three months commercial paper has fallen from 14-1/2 percent to 12 percent and bank certificates of deposit have fallen from nearly 15 percent to 12 percent.

If Congressional assurances of federal deficit reductions can be translated into action--by no means a foregone conclusion--short-term interest rates could ease further.

The current outlook is for short-term rates to stay around current levels through the fall, before moving up again. For example, the federal funds rate--a key short-term indicator--may average around 12 percent during the third quarter compared with 14.4 percent during the second quarter of 1982. Long-term interest rates can also be expected to ease during the second half of the year, but unfortunately not as much as short-term rates. New mortgage commitment rates in particular are not expected to fall much below 15.5 percent during the next six months as the major originators of new loans remain locked in their recent liquidity squeeze and net deposit inflows stay barely positive.

The improvement in the economy and the predicted recovery in private nonresidential investment in early 1983 should force short-term rates back up again next year. The federal funds rate, for example, is forecast to increase to over 14 percent during the first six months of the new year. Still, this is significantly below the 16.4 percent average for 1981. Fortunately, mortgage rates have started to decline slightly and a further continued but very modest improvement is expected as the liquidity position of thrifts recovers slightly and the margin between mortgages and other long-term investments returns to more normal levels. Nevertheless, new mortgage commitment rates are likely to remain in the 15 to 16 percent range during 1983 before falling to the 14 to 15 percent range in 1984. Fortunately, assumption interest rates are continuing at about 13 percent and seller provided financing is averaging 12 percent. Thus, the "blended" mortgage interest rate is about 14 percent and can expect to trend downward as the new commitment mortgage rate declines.

The Federal Reserve Board has indicated that it intends to maintain the same targets for credit growth next year. This would mean that the narrowly defined money stock (M1) would be allowed to grow between 2-1/2 to 5-1/2 percent, while the more broadly defined measure known as M2 would have a target growth range of 6 to 9 percent for 1983. These are tight targets--especially if inflation does not ease further. However, at the top end of the target ranges, there may be enough room to provide sufficient funds for further modest falls in long-term interest rates and real economic growth of around 2-3 percent.

There was encouraging news from the nation's savings and loan associations as mortgage loans closed increased a more than seasonal $1.1 billion in July. The increased mortgage lending activity by savings and loan associations was primarily due to a $3.5 increase in deposit balances at associations during June. This was more than twice the gain in May. Unfortunately, the increased deposits were the result of end-of-quarter interest credited to accounts as opposed to a net new deposit increase. In fact, net new deposits, that is new deposits minus withdrawals declined $3.2 billion in June.

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Savings and loan associations have been suffering chronic deposit withdrawals because their deposit instruments are less competitive against other savings instruments paying higher interest rates and having greater liquidity. This state of affairs will continue until lower interest rates and a more predictable economic climate emerges.

Mutual savings banks also showed an increase in total deposits, but this was again primarily due to interest credited. Deposits at mutual savings banks increased $800 million, but this was not enough to reverse the declining trend for mortgage lending by these institutions. Mortgage loans held by mutual savings banks declined nearly $1.0 billion during May to $96.3 billion. This is savings banks declined nearly $1.0 billion during May to $96.3 billion. This is a continuation of a downward slide that has been in effect all this year. Outstanding mortgage loans at mutual savings banks stood at $99.8 billion at the end of January.

Commercial banks, on the other hand, continued increasing real estate lending by $600 million in June. This follows a $600 increase in May, a $1.2 billion increase in April, and an average $690 million increase so far this year. The steady improvement of real estate lending by commercial banks is primarily due to their ability to more readily compete for deposits. Commercial banks, who are not burdened by large amounts of old low yielding mortgage loans in their portfolio, are therefore more able than thrift institutions to afford the high rate of interest needed to attract deposits at the present.

If interest rates continue to slide through the summer and into the fall, modest improvement in new mortgage lending can be expected. While the financial position of the thrift industry will remain precarious, deposit flows are expected to improve modestly over the next six months. Small denomination time and savings deposits at thrifts are expected to increase nearly $30 billion (or at an 8.7 percent annual rate) during the second half of this year and a further 9 percent next year. Similarly, time and savings deposits at commercial banks are expected to grow at a 10 percent rate during the second half of 1982 and 9.5 percent in 1983. This will not leave either group of financial institutions awash with loanable funds, but it will support the amount of mortgage lending we expect.

Residential Real Estate

The beleaguered resale market experienced another month of lackluster activity--and there is as yet only faint signs of improvement. Nationwide, sales of existing single-family homes in June were at a seasonally-adjusted annual rate of 1.95 million units. This is up just 2.6 percent from the preceding month and marks the ninth consecutive month in which the rate of resale activity has remained under the two million unit level. Currently, resales are off 27 percent from the same period a year ago and are down 51.5 percent from their cyclical peak set in November, 1978.

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Table 2

Existing Single-Family Home Sales Volume (Units)

Seasonally Adjusted Annual Rate

	United States	North-east	North Central	South	West
1978	3,863,000	494,000	1,132,000	1,495,000	741,000
1979	3,701,000	504,000	1,050,000	1,427,000	720,000
1980	2,881,000	384,000	797,000	1,154,000	547,000
1981	2,351,000	336,000	626,000	696,000	420,000
1981: May	2,580,000	360,000	720,000	1,010,000	490,000
June	2,680,000	380,000	700,000	1,110,000	490,000
1982: April	1,910,000	320,000	490,000	810,000	290,000
May <r>	1,900,000	320,000	460,000	800,000	320,000
June <p>	1,950,000	330,000	480,000	840,000	310,000

Continued high mortgage commitment rates and renewed increases in short-term interest rates coupled with the restrictions on assumptions of existing mortgages mean further slippage in existing home sales. Sales in the third quarter will remain around 2 million units before a very slow recovery begins in the fall. Sales will increase steadily throughout 1983 and 1984, and could approach the rate achieved in late 1978 during the closing months of 1984.

Sluggish existing home sales performance will make it difficult for persons to move up to new homes, so even though new home sales and starts do not use mortgage assumptions, they will suffer ripple effects. Housing starts this year will roughly equal 1981 and will grow slowly in 1983 and 1984. Nearly 1.5 million homes will be begun in 1984--a level remaining well below the 2.2 million units needed each year to meet our basic housing needs.

Housing prices have changed very little over the past year. A continuation of stagnant prices can be expected as the market adjusts to life without many assumptions. Frequently, homes which could have been sold at one price with an assumable mortgage will be discounted as buyers must go to traditional lenders. The alternative will be the seller taking a first mortgage (and the inherent risks). In the latter case, prices may stay up but the value received by the seller will be delayed, thus his appreciation in the house diminished. The median price existing home this year will sell for around $69,000, up about four percent from last year. Price increases should be somewhat greater in 1982 and 1983, but still well below the double-digit levels which prevailed in the 1970's. New home prices will also moderate, due largely to the smaller, less amenity-filled units currently being built. In general, housing prices in 1982 will increase somewhat less than inflation, but will roughly equal the inflation rate in 1983 and 1984.

Commercial and Industrial Investment

Interest rates continue slowing the pace of commercial and industrial construction. Indicative of the robust rate of construction contracts in the recent past, new construction put in place for private nonresidential buildings during May reached an annual rate of $65.5 billion which was two percent above April's rate and 11 percent above the rate of May 1981. The increase from May 1981 to May 1982 was paced by a 36 percent increase in office construction. Now, however, the recession and high interest rates have taken its toll on this durable construction category. Office construction contracts fell 11 percent during the first five months of this year under the first five months of 1981 although there was a significant upturn in activity in June. For industrial building as a whole, contracts are down 40 percent over this five-month period.

Office buildings and new factory construction are expected to bear the brunt of the downturn in nonresidential activity this year. Despite June's upturn, new office construction activity in 1982 will not match last year's hectic pace. For example, the F.W. Dodge construction forecast expects the volume of new contract activity for office buildings to reach just 230 million square feet this year, compared to last year's 317 million square feet. Similarly, the sluggish economy and low capacity utilization levels in manufacturing will mean a drop in the volume industrial construction of over 25 percent this year. However, nonresidential construction should begin to recover by spring of 1983 as excess office building space is worked off and the economy enters its 9 months of slow recovery. By late 1983, the volume of nonresidential construction activity should be growing at around four percent per annum as long-term interest rates continue to decline modestly.

Table 3

U.S. ECONOMIC OUTLOOK

AUGUST 1982

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	82:1	82:2	82:3	82:4	83:1	83:2	83:3	83:4	1980	1981	1982	1983	1984
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,996	3,047	3,111	3,182	3,245	3,314	3,402	3,493	2,633	2,938	3,084	3,364	3,693
Percent Change	-1.0	7.1	8.6	9.4	8.3	8.7	11.0	11.1	8.9	11.6	5.0	9.1	9.8
Percent Change (without inflation)	-5.1	1.7	1.3	2.9	1.8	2.2	4.3	3.6	-0.4	1.9	-1.5	2.4	2.8
Consumption	2.4	3.1	3.1	3.4	1.3	1.7	4.7	2.4	0.3	1.8	1.3	2.6	2.7
Durables	10.5	4.4	8.9	10.9	0.5	3.3	13.8	4.1	-6.9	2.2	0.7	6.0	5.8
Nondurables	-1.0	3.9	2.7	2.1	0.9	0.4	2.1	1.6	0.8	1.8	1.2	1.7	1.8
Services	3.0	1.9	1.6	2.1	1.9	2.1	3.9	2.5	2.4	1.7	1.6	2.2	2.4
Residential Investment	-9.7	3.1	35.2	14.8	4.7	22.4	20.2	16.3	-20.1	-4.9	-8.7	15.9	13.3
Nonresidential Investment	-5.0	-8.5	-15.4	-11.6	-0.9	3.1	7.5	5.3	-2.3	3.5	-4.4	-3.4	3.8
Structures	1.5	1.5	-15.3	-18.5	-5.1	1.2	4.4	4.2	-1.1	6.2	0.7	-6.0	3.6
Equipment	-7.7	-12.8	-15.5	-8.3	1.2	4.0	8.8	5.8	-2.7	2.4	-6.5	-2.2	3.9
Exports	-12.6	1.6	-0.5	2.3	2.6	4.6	4.9	4.4	8.9	-0.5	-3.9	2.8	2.9
Imports	-17.6	7.5	-1.9	4.8	7.5	4.9	6.6	5.4	-0.4	7.2	-0.1	5.1	4.7
Government Purchases	-2.9	-6.3	-1.1	1.5	0.1	0.5	-0.2	-0.5	2.2	0.9	-0.5	-0.2	0.8
Consumption (% of GNP)	64.5	64.8	65.0	65.1	65.0	65.0	65.0	64.8	63.1	63.1	64.9	65.0	64.9
Residential Investment (% of GNP)	2.6	2.7	2.9	2.9	3.0	3.1	3.2	3.3	3.2	3.0	2.8	3.1	3.5
Nonresidential Investment (% of GNP)	11.7	11.4	10.9	10.5	10.4	10.4	10.5	10.6	11.3	11.4	11.1	10.5	10.6
Inventory Change ($ billions)	-35.6	-19.7	-11.4	0.5	10.7	11.1	10.9	20.8	-10.0	20.4	-16.6	13.4	21.8
Mfg. Capacity Utilization Rate (%)	72	70	70	70	71	72	73	74	79	78	71	72	74
Auto Sales (millions of units)	8.2	7.4	7.6	7.9	8.2	8.4	8.9	9.1	9.0	8.6	7.8	8.6	8.7
Manufacturing Industrial Production (% change)	-13.5	-5.0	-0.2	6.9	4.8	7.4	9.9	5.3	-4.5	2.4	-7.5	5.1	3.8
Common Market	2.6	2.6	1.1	3.4	2.6	3.7	2.6	2.7	0.2	-1.8	1.9	2.8	2.4
Japan	-3.7	-7.0	9.2	6.1	7.3	4.1	4.5	3.6	6.8	3.1	1.8	5.2	3.9
Employment (millions)	99.6	99.7	100.0	100.7	101.2	101.7	102.6	103.3	99.3	100.4	100.0	102.2	104.7
Unemployment Rate (%)	8.8	9.5	9.7	9.3	9.2	9.2	8.9	8.7	7.2	7.6	9.3	9.0	8.5
Disposable Income per Household (average)	27,189	27,571	28,591	29,065	29,545	29,957	31,016	31,654	23,779	26,212	28,104	30,543	33,272
Percent Change -- Year Ago (w/o inflation)	0.2	0.8	1.8	1.9	2.6	1.9	2.0	2.3	-0.5	1.5	1.2	2.2	2.2
Total Taxes per Household (average)	13,269	13,357	13,297	13,567	13,942	14,263	14,229	14,518	12,080	13,499	13,373	14,238	15,247
Percent Change -- Year Ago	-0.6	-0.9	-2.8	0.6	5.1	6.8	7.0	7.0	8.8	11.8	-0.9	6.5	7.1
Percent of Disposable Income	48.8	48.4	46.5	46.7	47.2	47.6	45.9	45.9	50.8	51.5	47.6	46.6	45.8
Household Debt as Percent of Disposable Income	76.2	76.2	74.3	74.1	74.1	74.1	72.6	72.3	79.3	77.0	75.2	73.3	72.1
Consumer Price Inflation (CPI)	3.2	4.6	9.2	7.1	7.0	8.0	7.9	7.8	13.5	10.3	6.6	7.5	8.1
Gross National Product Inflation (GNP Deflator)	4.3	5.3	7.2	6.4	6.3	6.4	6.5	7.3	9.3	9.4	6.5	6.5	6.8
Personal Consumption Inflation	4.9	3.6	7.1	6.1	6.9	6.3	6.3	6.3	10.3	8.6	6.0	6.3	6.6
Residential Construction Inflation	0.9	3.2	4.7	6.4	7.3	8.2	8.6	8.1	9.3	7.0	4.4	6.9	8.3
Nonresidential Construction Inflation	4.0	3.7	5.9	6.9	7.9	8.5	8.7	8.5	14.0	10.3	7.2	7.5	8.7
Producers Price Inflation (WPI)	0.6	0.5	7.0	6.5	7.1	6.8	7.2	8.4	14.1	9.1	2.8	6.6	8.3
Compensation per Manhour (% change)	8.1	7.1	7.6	7.9	8.5	8.2	8.4	8.4	9.9	10.0	7.7	8.1	8.5
Productivity (% change)	0.4	4.1	1.2	2.6	1.3	1.4	1.9	2.3	-0.3	0.9	-0.3	1.9	1.5
Unit Labor Cost (% change)	7.1	3.1	6.3	5.2	7.1	6.7	6.4	5.9	10.3	9.0	8.0	6.2	6.9
Unit Capital Cost (% change)	8.6	8.2	7.8	7.5	7.2	7.0	6.8	6.6	11.6	10.2	8.0	6.9	6.5
Before Tax Corporate Profits ($ billions)<1>	189	182	193	196	198	204	215	227	255	259	190	211	234
Corporate Tax Liability	56	51	54	56	60	63	67	71	85	81	54	66	74
'Windfall Profits' Tax Receipts	18	18	23	24	23	22	22	23	13	27	20	23	23
Inventory Valuation Adjustment	-4	-6	-9	-13	-14	-16	-17	-21	-43	-25	-8	-17	-25
Capital Consumption Adjustment	-10	-6	-4	-1	4	4	4	4	-18	-17	-5	4	-3
After Tax Profits	116	114	116	117	115	119	126	133	158	151	115	123	137
Profits from Current Production (with IVA, CCA)	101	101	102	103	104	108	113	115	97	109	102	110	109
Adjusted for Inflation (82:1 base)	101	100	99	98	98	100	103	103	111	114	100	101	94
Percent Change - Year Ago	-13.1	-10.4	-13.1	-13.2	-3.1	0.0	3.9	4.7	-17.2	3.0	-12.5	1.3	-7.3
Per Unit of Output (% of GNP)	3.4	3.3	3.3	3.2	3.2	3.3	3.3	3.3	3.7	3.7	3.3	3.3	3.0
Effective Corporate Tax Rate (%)<1>	36	35	36	36	38	38	38	39	46	43	36	38	41
Federal Tax Receipts (Unified basis)	574	686	578	552	568	781	649	617	533	622	597	654	715
Federal Expenditures (Unified basis)	669	734	713	765	784	794	780	827	602	694	720	796	868
Surplus or Deficit (Unified basis)	-95	-48	-135	-213	-216	-14	-132	-210	-69	-72	-123	-143	-153
% of GNP	3.2	1.6	4.3	6.7	6.6	0.4	3.9	6.0	3.2	3.6	4.0	4.2	4.1
% of Personal Savings	68.1	34.1	76.8	125.3	126.6	8.3	67.0	102.7	81.2	80.2	76.1	76.2	70.4
% of Total Private Savings	18.2	9.2	23.7	37.2	37.1	2.4	20.8	32.1	19.4	20.6	22.1	23.1	22.3

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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Table 4

REAL ESTATE AND FINANCIAL MARKETS AUGUST 1982

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	82:1	82:2	82:3	82:4	83:1	83:2	83:3	83:4	1980	1981	1982	1983	1984
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	1,933	1,920	2,017	2,274	2,512	2,764	3,018	3,289	2,881	2,351	2,036	2,896	3,482
Percent Change - Year Ago	-25.6	-27.0	-10.5	18.2	29.9	44.0	49.7	44.6	-22.2	-18.4	-13.4	42.2	20.3
Dollar Volume (billions)	153.2	155.1	167.7	185.5	207.0	231.8	260.3	283.3	209.7	184.1	165.4	245.6	317.4
Existing Home Prices - Median ($1000's)	66.8	68.1	70.5	69.5	70.6	72.3	74.7	74.8	62.2	66.4	68.7	73.1	79.6
Percent Change - Year Ago	3.8	2.5	4.4	5.1	5.8	6.2	5.9	7.7	11.7	6.8	3.9	6.4	8.8
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	781	789	799	757	776	765	765	769	588	742	782	769	803
Percent of Household Income	29	29	29	27	27	26	25	25	25	29	28	26	25
New Single-Family Home Sales (thousands)	385	361	392	420	476	509	603	632	530	426	389	555	694
Percent Change - Year Ago	-26.3	-20.7	6.1	4.8	23.6	41.0	54.1	50.3	-25.2	-19.6	-10.9	42.5	25.0
New Home Prices - Median ($1000's)	66.4	70.1	70.8	71.7	72.8	74.1	75.4	76.6	64.6	68.9	69.7	74.7	80.0
Percent Change - Year Ago	-0.6	1.0	2.1	2.8	9.6	5.6	6.5	6.9	2.7	6.7	1.3	7.1	7.1
New Home Prices--Mean ($1000's, Quality Adjusted)	88.0	90.2	91.0	91.9	95.7	98.0	99.2	100.3	78.8	85.3	90.3	98.3	105.2
Percent Change - Year Ago	5.6	5.7	5.9	5.3	8.8	8.6	9.0	9.1	11.0	8.8	5.6	8.9	7.0
New Mortgage Commitments ($ billions)	58.6	51.4	60.1	71.9	82.7	83.1	89.2	100.0	87.1	60.2	60.5	88.7	120.6
Percent Change - Year Ago	-23.7	-25.7	24.0	58.3	41.2	61.6	48.3	39.0	-32.5	-30.9	0.9	46.7	35.8
Mortgage Debt Outstanding ($ billions)	1,560	1,617	1,647	1,678	1,711	1,744	1,781	1,820	1,400	1,509	1,625	1,764	1,934
Homeowners' Equity ($ billions)	2,289	2,303	2,289	2,303	2,365	2,399	2,441	2,486	2,115	2,237	2,296	2,423	2,604
Housing Inventory (millions)	84.8	84.9	85.0	85.1	85.2	85.4	85.5	85.7	83.8	84.5	84.9	85.5	86.2
Private Housing Starts (thousands)	920	956	1,037	1,110	1,077	1,229	1,295	1,353	1,292	1,084	1,006	1,238	1,483
Single-Family	594	601	648	672	672	785	838	873	852	705	629	792	972
Multi-Family	327	355	389	438	404	444	457	479	440	379	377	446	511
Subsidized	147	143	136	113	75	57	43	33	173	115	135	52	10
Mobile Home Shipments (thousands)	238	260	257	260	253	264	269	279	223	240	254	266	290
Rental Vacancy Rate (%)	5.3	5.3	5.3	5.2	5.2	5.1	5.1	5.1	5.4	5.0	5.3	5.1	5.1
Unsold New Homes (% of sales)	72.8	71.2	68.9	67.8	68.7	64.4	62.7	62.5	68.4	75.6	70.2	64.6	70.9
Office Vacancy Rate (%)<1>	5.4	5.7	5.9	6.2	6.5	6.5	6.4	6.2	3.7	4.3	5.8	6.4	5.9
Industrial Vacancy Rate (%)<1>	3.8	3.9	4.0	4.2	4.4	4.4	4.3	4.1	3.5	3.7	4.0	4.3	3.9
New Commercial Building Construction (% Ch Value)	26.0	7.5	-28.8	-19.9	15.8	17.0	16.4	16.9	21.8	12.1	5.8	1.5	15.2
New Industrial Building Construction (% Ch Value)	-18.4	-46.9	26.5	4.1	4.6	5.5	12.0	12.2	-6.8	20.2	-6.7	3.9	11.5
FINANCIAL MARKETS													
Personal Savings Rate (%)	6.6	6.6	7.9	7.5	7.3	7.0	8.0	8.2	5.8	6.4	7.1	7.6	8.1
Money Supply (M1b) (% change)	10.8	3.2	3.8	5.9	5.6	5.5	4.1	7.3	6.3	7.0	5.8	5.2	3.9
Money Supply (M2) (% change)	10.1	9.7	11.4	9.0	8.6	8.9	9.5	10.2	8.3	9.8	9.9	9.4	9.4
Total Time and Savings Deposits (% change)	7.0	10.8	11.1	10.7	8.5	7.2	7.7	8.3	7.6	8.9	8.2	9.0	7.8
Selected Interest Rates (Percent)													
New Home Mortgage Commitment Rate	17.45	17.27	16.89	16.21	16.35	15.72	15.20	15.25	14.00	16.71	16.96	15.63	14.97
Real Mortgage Rate	13.16	11.93	9.65	9.83	10.03	9.30	8.72	7.98	3.82	7.85	11.14	9.01	8.07
Seller Take Back Mortgage Rate	12.50	12.10	12.30	12.50	12.70	12.60	12.45	12.30	11.25	13.15	12.35	12.51	11.76
Blended Rate	14.73	14.66	14.48	14.11	14.25	13.89	13.63	13.70	12.23	14.15	14.49	13.87	13.64
Corporate Bond Rate (AAA)	15.01	14.51	13.71	13.56	13.74	13.22	12.16	12.25	11.94	14.17	14.20	12.84	11.78
Government Bond Rate	14.45	14.10	12.89	12.74	13.33	12.62	11.77	12.01	11.51	14.34	13.55	12.43	11.94
Real Long-term Government Bond Rate	10.15	8.75	5.65	6.37	7.01	6.20	5.29	4.73	1.33	5.48	7.73	5.81	5.05
Federal Funds Rate	14.23	14.51	12.42	13.22	14.45	13.69	13.17	13.55	13.36	16.38	13.59	13.71	13.92
3 Month Treasury Bills	12.81	12.42	11.28	12.01	13.15	12.27	11.92	12.32	11.43	14.03	12.13	12.42	12.61
1 Year Treasury Bills	14.33	13.80	12.38	12.83	13.62	12.57	12.03	12.31	12.05	14.78	13.33	12.63	12.62
Commercial Paper Rate	13.81	13.81	13.28	13.65	14.68	13.48	13.02	13.50	12.66	15.33	13.64	13.67	13.71
Rate on Money Market Fund Shares	14.06	14.06	13.54	13.91	14.94	13.73	13.28	13.78	12.89	15.68	13.89	13.93	13.93
Prime Rate	16.27	16.50	15.11	15.76	16.62	15.71	15.15	15.27	15.27	18.87	15.91	15.69	14.99

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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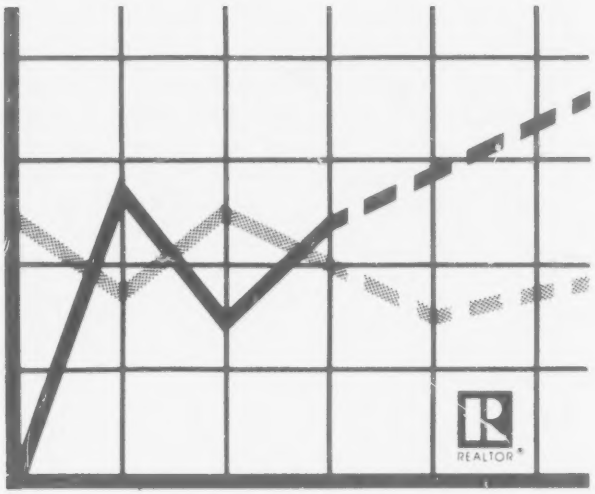
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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U.S. ECONOMIC AND REAL ESTATE OUTLOOK

The outlook for economic recovery received a strong boost as short-term interest rates fell rapidly during August. Short-term rates are now at near normal levels given underlying inflation rate of six to seven percent. A major factor behind this drop in interest rates has been the monetary policy adopted by the Federal Reserve Board. The discount rate (interest rate on loans from the Federal Reserve to banks) was reduced four times by the Federal Reserve from 12 percent to 10 percent in a period of about seven weeks. Open market operations added to the growth of available credit over the past two months. This precipitated a drop in the prime rate from 16 percent in July to near 13-1/2 percent by the end of August. The sharp drop in short-term interest rates and the beginning of a slow decline in long-term interest rates will initiate what will be a drawn out recovery that will begin this fall that is expected slowly to gain momentum through the end of 1983.

Consumption

Consumption spending, which has increased at rates of near 2.25 percent over the first half of the year should increase by well over 3.5 percent during the fourth quarter. Consumer spending will be led by increased spending for durable goods which have long been delayed. Autos in particular could enjoy increased activity. Initial reports are that the prices on the 1983 models will not be greatly increased over the 1982 models so the automakers can avoid having to stage costly rebate programs every other month. With the scrappage rate for autos at 5.9 million units a year, instead of the normal 8 million unit rate, there is enormous pent-up demand among consumers. With prices not up sharply and a lot of cash-heavy consumers in the market, the model year could be better than last year or the year before.

The rapid decline in money market interest rates should also increase the likelihood that consumers will reduce their recently high rate of savings and start to spend. Interest rates on money market certificates, small savers certificates and other consumer money market instruments may now fall into single digit ranges and will, therefore, be reduced in appeal in comparison with long delayed purchases. The recent increase in transfer payments and decline in taxes pushed disposable personal income up $45 billion dollars in July from the level in June. However, consumers saved more than half that increase. With reduced interest rates on consumer saving instruments, this saving allocation is not likely to be maintained.

In October, consumers will be getting a large amount of cash when the small savers certificates and All Savers certificates which were introduced as savings devices over the past year mature. This will put more than $40 billion back into consumers' hands. Although consumers will continue to save at higher than historical rates, there will be some shift toward spending.

Investment

The beginning of the recovery in business investment will be delayed until the second quarter of 1983. This is primarily because long-term interest rates are declining more slowly than short-term rates and are still historically high. Also, there is a lot of spare capacity in the economy right now. The capacity utilization rate for manufacturing in July was 69.5 percent which was the fifth consecutive monthly decline and was only 0.5 percentage points above the record low of 69 percent in 1975. Most businesses also have balance sheets that are heavily burdened with short-term debt and any funds generated by the increased consumer spending in the second half of the year will go first to reducing this short-term debt. However, increased capacity utilization as a result of the forecast higher consumer spending

and lower long-term interest rates next year will allow business investment to add more steam to the recovery during the second half of 1983 and 1984.

Inventory investment will recover more quickly than other business investment but will not recover as quickly as in past recoveries. The diminished credit capacity of businesses will cause businessmen to keep tight control on inventories. However, with the first signs that the next recovery will be sustained, inventory purchases should rapidly recover.

Foreign Trade

There will not be strong growth in the export sector as foreign economies continue to experience slow growth and the dollar continues to be buoyant despite recent interest rate declines. Slow growth and high interest rates in the U.S. economy and defensive monetary policies of our major trading partners has kept foreign interest rates high, foreign economic growth slow, and, consequently, foreign demand for U.S. exports is down. Also, the oil exporting countries, which have been large purchasers of U.S. industrial and agricultural products, are importing less because of declining energy prices and slumped demand for oil. Continued strength in the dollar and weak foreign demand will keep U.S. exports declining in the current quarter and to improve only marginally in the final three months of this year. Exports are expected to continue to slowly grow through 1983 and 1984, growing well under three percent in both years.

Fiscal Policy

Congress and the Administration are still wrestling to get growing deficits under control. The new tax bill that passed Congress will increase revenues $98.3 billion dollars over the next three years. Although this is not yet enough to turn the tide in rising deficits, it will nevertheless be the important first step toward a more responsible fiscal policy.

The tax bill not only increased revenues, but 65 percent of the spending reductions to be accomplished by reconciliation action to implement the First Concurrent Budget Resolution were included in the tax bill. These cuts amount to $17 billion dollars over the next three years. However, Congress still has to complete action on all the FY 1983 appropriations bills in which major restraint will need to be exercised to keep spending in line with the budget estimates given in June.

Even these actions, however, will not be enough to bring about a significant reduction in the federal deficit unless so called "uncontrollable" government expenditures are brought under control. Defense spending needs to bear its share of the burden, along with a slowdown in the growth of social security payments. Some encouraging signs of Congressional action on these issues have emerged recently with Senator Bob Dole calling for a special post election session of Congress to address the future of the social security system.

Monetary Policy and Interest Rates

The rate of growth of the closely watched measure of money supply, M1, fell to within the growth targets of the Federal Reserve for the first time this year in early July. This slower growth of credit and the continued slackness in the economy prompted the Federal Reserve to begin injecting reserves into the banking system and to make cautious reductions in the discount rate--a key short-term interest rate. As business demands for credit remained soft and heavy government borrowing requirements eased temporarily during late July and August, other short-term interest rates plummeted.

The prime rate for loans to preferred business borrowers by banks fell from 16.5 percent in June to 13.5 percent by late August. The cost of funds for banks fell even further with interest rates on federal funds and large certificates of deposit falling from near 14 percent to under 9 percent. Although these rates have fallen dramatically, long-term rates and rates on consumer and mortgage loans have not declined as much because lenders fear that interest rates and their cost of funds will be going back up later in the year.

Short-term interest rates may now have fallen about as far as they can go. The prime rate may come down another 50 basis points to 13 percent, but the rates on federal funds and Treasury Bills will probably stabilize for the early fall near 9 percent. The Federal Reserve is expected to take a neutral stance with respect to bank reserves and allow interest rates to stabilize during the rest of 1982. They will probably wait to see what impact the credit loosening during the past several weeks has on money growth before taking any more policy initiatives.

Short-term rates should remain close to their current reduced levels until early next year when they will start going up again. With continued high government borrowing, overall credit demands will increase more than the supply of new savings and interest rates will start rising again. This may provide the necessary pressure on the government to implement legislation to further reduce government borrowing which will clear the way for a renewed decline in interest rates starting late in the second quarter of next year.

Mortgage rates and other long-term interest rates will slowly decline during the fall. The rate on corporate bonds should settle near 13 percent and mortgage interest rates for new commitments should bottom out at just under 15 percent. However, long-term rates will rise with short-term rates early next year with the corporate bond rate climbing above 13.5 percent and new commitment mortgage rates going back above 15.5 percent. Fortunately, rates should begin declining again late in the second quarter of next year, with corporate bonds falling to 11.5 percent and new mortgage rates falling to less than 14.5 in the fourth quarter of 1983.

There should be less fluctuation of mortgage interest rates in funds assumed in the transfer of title of homes and mortgage funds provided by sellers. The blended rate on new commitments, assumed loans and seller-provided funds should remain around 13-1/2 to 14 percent for the forseeable future.

Mortgage Markets

Mortgage lending by Savings and Loan Associations declined during July from June's rate. There was $3.8 billion in mortgage loans closed in July compared to nearly $5 billion closed in June. This greater than seasonal decline was the result of the continuing problems of thrift institutions in attracting deposits. Net new deposits declined more than $1.2 billion in July and net deposit gain which includes interest credited was only $870 million. This was more than $2.5 billion less than the $3.4 net deposit gain in June and the lowest deposit gain this year with the exception of April.

Mortgage commitment activity was also down for July falling $1.2 billion from June to $4.3 billion. The decline in commitments was counterseasonal and was the lowest amount of commitments since February. S&L's are using more funds to purchase loans from other lenders and increase their holdings of liquid assets. Liquid assets increased $2.4 billion in July which holdings in mortgage backed securities increased nearly $4.7 billion.

Mutual Savings Banks also continue to suffer a chronic drain on deposits as net new deposits declined $1.2 billion in June and preliminary estimates put the July

decline at $1.1 billion. Although total deposits increased in June, preliminary estimates show that interest credited was not enough to prevent a $200 million decline in total deposits in July. Mortgage loans outstanding held constant in June at $96.3 billion but is expected to show a decline in July due to a lack of deposit growth.

The rapid drop in interest rates during the second half of 1982 could exacerbate thrift industry problems in attracting deposits in the short run but will improve their earnings flow in the long run. The ceiling on saving certificates are tied to the short-term treasury securities whose interest rates have fallen most sharply. Also the lower interest rates may not be appealing to savers who will be cash heavy this fall after the All Savers certificates mature and have become accustomed to double digit rates of return. It is likely that consumers will be saving less and spending more this fall.

Commercial banks continued to increase the amount of real estate loans held. The increase in July was nearly $480 million behind deposit growth of more than $1.2 billion in deposit loans. Unlike the thrift institutions, commercial banks rely less on deposit instruments such as the small savers certificates and the All Savers Certificate. Instead, demand deposits and large certificates of deposits and money market certificates provide the major share of their loanable funds. Because of a shorter average maturity structure of their assets, their return on assets have risen with the general rise in short-term interest rates and have allowed them to more easily compete for funds than the unfortunate thrifts. For these reasons, it is expected that commercial banks will be able to continue expanding their share of mortgage lending as they have over the last decade.

Since new mortgage commitment rates are not expected to decline to much less than 15 percent before late next year at the earliest, mortgage lending will recover very slowly. This recovery will be interrupted this winter both due to seasonal factors and the increase in interest rates expected early next year. When new mortgage commitment rates begin declining again next spring, mortgage lending activity should pick up again. New mortgage commitment dollars should grow about 20 percent from now through 1983.

Residential Real Estate

The stagnant, poor performance of home sales and construction markets in the spring is continuing into the summer, but the market appears poised for a recovery to begin.

Existing home sales have remained at a level below a two million unit annual rate since October of last year, with month-to-month changes being very slight and not trending up or down. In July existing home sales again slipped to their cyclical low of 1.86 million unit annual rate, matching January's weak performance.

Similarly the new home market is stagnant. Although total housing starts have crossed the million unit annual rate threshold twice in the last three months, all the impetus to those bursts came from new multi-family units. Single-family housing starts all remaining at a 600,000 unit annual rate level. Until those single family numbers begin to increase, it cannot be reasonably claimed that home construction markets are recovering from the depression conditions.

This forecast continues to expect an increase in residential real estate activity in the current quarter. After the July performance, it may well be asked how this improvement can reasonably be expected. Beginning in the latter part of July interest rates began to decline--a trend that has continued and accelerated in August;

this can then be coupled with home prices just 2.5 percent higher than a year ago--and the results are real bargains for homebuyers.

Existing home sales are believed to have begun their recovery, which is expected to be quite slow but of long duration. Sales of existing homes should approach a 2.5 million unit rate by year end and pass the 3.0 million unit threshold by mid-year next year. If the interest rate declines currently underway continue for more than a few more weeks then activity can be expected to pick up more rapidly, with some likelihood of declines again when interest rates begin to move back up.

Housing starts, particularly of single-family homes, are expected to begin improving very soon also, but to remain about 1.2 million annual sales through the end of 1982 and rise to 1.3 to 1.4 million during 1983.

As the inventory of unsold homes currently available begins to deplete, prices are expected to begin to accelerate. Existing home prices this year will be less than four percent higher than in 1981. Price increases will be about equal to the inflation rate next year and higher than inflation through 1984. Similar price patterns are expected for both new and existing homes.

Commercial and Industrial Investment

Although the overall construction industry is depressed, conditions would be far worse if it had not been for private nonresidential building construction. Industrial building led the increases for all construction categories in June, increasing 1.4 percent over the May annualized rate to $19.5 billion. Office construction also showed a strong June increase, growing at a 9 percent rate over May 1982 and an extraordinary 42 percent over June 1981 to $24.2 billion. Commercial and industrial building are indicative of the strength of private nonresidential building as the category as a whole grew 6 percent in June to $68.5 billion.

Building awards for June indicate that there will be continuing strength for a while longer in the nonresidential building sector. After a slow first quarter, contracting for offices has almost increased to the record 300 million square foot rate of 1981 during the second quarter. For June, nonresidential building awards increased 32 percent to $6.1 billion according to F.W. Dodge, this was dominated by the start of 15 major office construction projects.

However, the expectation is for declining nonresidential construction activity until late 1983. The recent strong construction growth has flown in the face of declining economic activity and has resulted in an excess supply of office space in many major metropolitan areas. Even the recent declines in interest rates are not expected to support further construction expansion in this building category. This reduced activity will not bring the increases in capacity utilization and reduction in office vacancy rates needed to support continued strong commercial and industrial construction. Nonresidential building awards should decline from June's $6.1 billion to near $4 billion during the fall and remain in the $3 to $4 billion range through next spring when long-term rates begin to make a substantial decline. Private nonresidential building construction will fall to $60 to $62 billion annual rate by the end of the year and remain near that level until the late spring or early summer.

Table 1

U.S. ECONOMIC OUTLOOK

SEPTEMBER 1982

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	82:1	82:2	82:3	82:4	83:1	83:2	83:3	83:4	1980	1981	1982	1983	1984
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,996	3,041	3,102	3,170	3,238	3,304	3,384	3,472	2,633	2,938	3,077	3,350	3,674
Percent Change	-1.0	6.2	8.3	9.0	8.9	8.3	10.1	10.8	8.9	11.6	4.8	8.9	9.7
Percent Change (without inflation)	-5.1	1.3	1.6	2.7	2.6	2.4	3.8	3.8	-0.4	1.9	-1.5	2.6	3.2
Consumption	2.4	2.0	2.5	3.2	2.7	2.6	3.6	2.9	0.3	1.8	1.0	2.8	3.0
Durables	10.4	1.7	7.1	10.1	6.4	4.8	9.5	7.2	-6.9	2.2	-0.1	7.0	6.8
Nondurables	-1.0	2.7	1.8	1.8	2.6	2.4	2.1	1.6	0.8	1.8	-0.8	2.2	2.0
Services	3.0	1.5	1.6	2.3	1.7	2.0	3.0	2.6	2.4	1.7	1.6	2.1	2.6
Residential Investment	-9.7	10.7	21.8	25.5	26.7	16.1	13.5	10.1	-20.1	-4.9	-8.1	20.0	10.0
Nonresidential Investment	-5.0	-12.4	-11.6	-8.0	-0.5	2.4	6.2	6.4	-2.3	3.5	-4.4	-2.5	5.9
Structures	1.3	2.5	-9.5	-12.6	-11.1	-6.9	-1.7	0.5	-1.1	6.3	2.0	-7.8	1.0
Equipment	-7.6	-18.4	-12.6	-5.7	4.8	6.8	9.7	9.0	-2.7	2.4	-7.1	0.0	8.1
Exports	-12.6	6.2	-4.8	0.2	4.0	4.5	5.3	5.3	8.9	-0.5	-3.7	2.6	2.1
Imports	-17.6	13.2	-6.9	5.4	7.2	6.2	6.8	6.5	-0.4	7.2	0.3	5.1	5.9
Government Purchases	-2.9	-6.1	1.6	1.3	-1.4	-0.8	0.8	0.0	2.2	0.9	-0.2	-0.3	0.9
Consumption (% of GNP)	64.5	64.7	64.8	64.9	64.9	64.9	64.9	64.7	63.1	63.1	64.7	64.9	64.8
Residential Investment (% of GNP)	2.6	2.7	2.8	3.0	3.1	3.2	3.3	3.4	3.2	3.0	2.8	3.3	3.5
Nonresidential Investment (% of GNP)	11.7	11.3	10.9	10.6	10.5	10.5	10.6	10.6	11.3	11.4	11.1	10.6	10.8
Inventory Change ($ billions)	-35.6	-17.4	-8.3	0.6	5.2	7.1	10.0	17.8	-10.0	20.4	-15.2	10.0	23.1
Mfg. Capacity Utilization Rate (%)	72	70	69	70	71	72	73	74	79	78	70	72	74
Auto Sales (millions of units)	8.0	7.5	7.7	8.1	8.3	8.3	8.7	9.0	9.0	8.5	7.8	8.6	9.3
Manufacturing Industrial Production (% change)	-13.5	-5.5	-4.1	6.1	6.7	6.9	9.7	7.8	-4.5	2.4	-8.1	4.9	5.8
Common Market	2.6	1.9	-0.5	3.0	2.5	3.6	2.7	3.6	0.2	-1.8	1.6	2.5	2.8
Japan	-3.7	-7.0	9.4	6.2	7.4	4.2	4.5	3.6	6.8	3.1	1.8	5.3	4.1
Employment (millions)	99.6	99.7	99.8	100.2	101.0	101.5	102.2	102.8	99.3	100.4	99.8	101.9	104.2
Unemployment Rate (%)	8.8	9.5	9.8	9.8	9.4	9.4	9.2	9.1	7.2	7.6	9.5	9.3	8.9
Disposable Income per Household (average)	27,189	27,605	28,531	29,042	29,459	29,952	30,859	31,494	23,779	26,212	28,092	30,441	33,038
Percent Change -- Year Ago (w/o inflation)	0.2	0.9	1.7	2.1	2.7	2.3	2.2	2.4	-0.5	1.5	1.2	2.4	2.3
Total Taxes per Household (average)	13,269	13,424	13,284	13,480	13,864	14,070	14,093	14,364	12,080	13,499	13,364	14,097	15,182
Percent Change -- Year Ago	-0.6	-0.4	-2.9	0.0	4.5	4.8	6.1	6.6	8.8	11.8	-1.0	5.5	7.7
Percent of Disposable Income	48.8	48.6	46.6	46.4	47.1	47.0	45.7	45.6	50.8	51.5	47.6	46.3	45.9
Household Debt as Percent of Disposable Income	76.2	75.7	74.2	73.8	73.9	73.7	72.4	72.2	79.3	77.0	75.0	73.1	71.5
Consumer Price Inflation (CPI)	3.2	4.6	8.3	5.1	7.5	7.0	6.7	6.7	13.5	10.3	6.4	6.7	7.4
Gross National Product Inflation (GNP Deflator)	4.3	4.9	6.6	6.1	6.2	5.8	6.0	6.8	9.3	9.4	6.4	6.1	6.3
Personal Consumption Inflation	4.9	3.6	6.6	5.5	6.4	5.7	5.7	5.8	10.3	8.6	5.9	5.8	6.1
Residential Construction Inflation	1.7	-3.9	3.8	5.8	7.5	6.9	7.3	7.1	9.4	7.0	3.0	5.8	7.3
Nonresidential Construction Inflation	4.0	4.5	5.7	6.5	8.2	7.4	7.8	7.4	14.0	10.3	7.3	7.1	7.7
Producers Price Inflation (WPI)	0.6	0.5	4.5	5.2	6.5	6.2	6.6	7.1	14.1	9.1	2.4	5.6	7.6
Compensation per Manhour (% change)	10.1	5.9	7.2	7.3	7.9	7.6	7.9	8.0	10.3	9.6	8.0	7.5	8.1
Productivity (% change)	2.4	2.4	0.9	2.0	2.1	2.2	2.3	2.2	-0.9	1.4	0.5	2.0	1.9
Unit Labor Cost (% change)	7.4	3.7	6.1	5.1	5.6	5.2	5.5	5.7	11.2	8.1	7.4	5.4	6.0
Unit Capital Cost (% change)	8.6	8.1	7.8	7.4	7.0	6.8	6.6	6.5	11.5	10.1	8.0	6.7	6.5
Before Tax Corporate Profits ($ billions)<1>	189	186	184	188	193	199	209	219	252	259	187	205	239
Corporate Tax Liability	56	54	52	54	59	61	64	68	85	81	54	63	74
'Windfall Profits' Tax Receipts	18	18	18	18	19	19	20	20	9	27	18	20	23
Inventory Valuation Adjustment	-4	-8	-7	-12	-16	-18	-19	-21	-43	-25	-8	-18	-27
Capital Consumption Adjustment	-10	-6	-5	-1	4	4	5	4	-18	-17	-5	4	-1
After Tax Profits	116	115	114	116	115	119	125	131	158	151	115	123	143
Profits from Current Production (with IVA, CCA)	101	101	103	103	103	106	111	115	97	109	102	109	114
Adjusted for Inflation (82:1 base)	101	100	100	99	97	99	102	104	111	114	100	100	99
Percent Change - Year Ago	-13.1	-10.4	-12.7	-13.1	-4.1	-1.6	2.1	5.0	-17.2	3.0	-12.3	0.3	-1.4
Per Unit of Output (% of GNP)	3.4	3.3	3.3	3.2	3.2	3.2	3.3	3.3	3.7	3.7	3.3	3.2	3.1
Effective Corporate Tax Rate (%)<1>	36	36	35	35	37	37	37	38	46	43	36	38	40
Federal Tax Receipts (Unified basis)	574	716	577	547	564	767	641	607	533	622	603	645	713
Federal Expenditures (Unified basis)	669	726	731	767	781	790	777	824	602	694	723	793	868
Surplus or Deficit (Unified basis)	-95	-10	-154	-220	-217	-23	-136	-217	-69	-73	-120	-148	-155
% of GNP	3.2	0.3	5.0	6.9	6.7	0.7	4.0	6.3	3.2	3.6	3.9	4.4	4.2
% of Personal Savings	68.1	6.7	84.8	120.5	125.1	13.2	67.8	104.0	81.2	80.3	70.0	77.5	72.5
% of Total Private Savings	18.2	1.9	26.8	37.7	37.3	3.9	21.4	33.1	19.4	20.6	21.1	23.9	22.6

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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Table 2

REAL ESTATE AND FINANCIAL MARKETS

SEPTEMBER 1982

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	82:1	82:2	82:3	82:4	83:1	83:2	83:3	83:4	1980	1981	1982	1983	1984
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	1,933	1,920	1,996	2,299	2,560	2,707	2,904	3,154	2,881	2,351	2,037	2,831	3,418
Percent Change - Year Ago	-25.6	-27.0	-11.4	19.5	32.4	41.0	45.5	37.2	-22.2	-18.4	-13.4	39.0	20.7
Dollar Volume (billions)	155.2	155.1	164.1	185.1	208.2	223.7	246.1	266.4	209.7	184.1	164.4	236.1	304.1
Existing Home Prices - Median ($1000's)	66.8	68.1	69.7	68.6	69.7	71.2	73.4	73.4	62.2	66.4	68.3	71.9	77.6
Percent Change - Year Ago	3.8	2.5	3.1	3.6	4.4	4.6	5.3	7.0	11.7	6.8	3.3	5.3	8.0
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	781	789	770	685	728	742	747	735	588	742	756	738	765
Percent of Household Income	29	29	28	24	25	25	25	24	25	29	27	25	24
New Single-Family Home Sales (thousands)	385	361	391	446	496	531	580	575	530	426	396	546	613
Percent Change - Year Ago	-26.3	-20.7	6.0	11.2	28.9	47.1	48.3	28.8	-25.2	-19.6	-9.4	37.8	12.4
New Home Prices - Median ($1000's)	66.4	70.8	72.8	74.1	75.4	76.5	77.8	79.0	64.6	68.9	71.0	77.2	82.3
Percent Change - Year Ago	-0.7	2.0	5.1	6.2	13.5	8.1	6.7	6.7	2.7	6.7	3.2	8.6	6.7
New Home Prices--Mean ($1000's, Quality Adjusted)	88.3	88.2	89.2	91.0	92.5	93.0	94.6	96.9	78.8	85.3	89.2	94.3	101.4
Percent Change - Year Ago	6.0	3.4	3.8	4.2	4.8	5.4	6.1	6.5	11.0	8.8	4.4	5.7	7.6
New Mortgage Commitments ($ billions)	58.6	48.0	59.8	74.5	75.1	65.3	63.5	64.9	87.2	60.0	60.2	67.2	80.1
Percent Change - Year Ago	-23.7	-30.5	23.4	63.9	28.1	35.9	6.2	-12.9	-32.4	-31.2	0.5	11.5	19.3
Mortgage Debt Outstanding ($ billions)	1,560	1,617	1,638	1,662	1,688	1,711	1,739	1,766	1,400	1,509	1,619	1,726	1,860
Homeowners' Equity ($ billions)	2,281	2,289	2,321	2,362	2,454	2,511	2,559	2,607	2,115	2,237	2,313	2,533	2,731
Housing Inventory (millions)	84.8	84.9	85.0	85.1	85.3	85.4	85.6	85.8	83.8	84.5	84.9	85.5	86.4
Private Housing Starts (thousands)	920	951	1,088	1,182	1,256	1,296	1,347	1,400	1,292	1,084	1,036	1,325	1,504
Single-Family	594	604	644	726	795	831	869	903	852	705	642	850	959
Multi-Family	327	347	444	456	461	464	478	497	440	379	394	475	545
Subsidized	147	143	136	113	75	57	43	33	173	115	135	52	10
Mobile Home Shipments (thousands)	238	253	258	270	277	282	284	289	223	240	255	283	303
Rental Vacancy Rate (%)	5.3	5.1	5.3	5.2	5.2	5.2	5.1	5.1	5.4	5.0	5.2	5.1	5.1
Unsold New Homes (% of sales)	73.2	75.5	68.8	65.1	69.4	68.9	69.0	68.7	68.4	75.6	70.7	69.0	71.6
Office Vacancy Rate (%)<1>	5.4	7.0	7.3	7.5	7.8	8.0	7.8	7.7	3.7	4.3	6.8	7.8	7.4
Industrial Vacancy Rate (%)<1>	3.8	4.2	4.4	4.7	4.8	4.9	4.7	4.6	3.5	3.7	4.3	4.8	4.2
New Commercial Building Construction (% Ch Value)	19.0	8.1	-9.3	-13.4	-10.0	5.3	11.8	12.8	21.8	13.9	7.8	-2.9	12.2
New Industrial Building Construction (% Ch Value)	-18.2	13.2	-19.5	-8.8	-6.9	-0.4	5.9	6.3	-6.6	22.0	-0.9	-4.4	9.8
FINANCIAL MARKETS													
Personal Savings Rate (%)	6.6	6.9	8.1	8.0	7.5	7.4	8.2	8.4	5.8	6.4	7.4	7.9	8.1
Money Supply (M1b) (% change)	10.8	3.3	2.8	5.3	5.0	2.9	3.4	6.2	6.3	7.0	5.7	4.1	4.0
Money Supply (M2) (% change)	10.1	9.8	14.1	10.4	7.3	6.3	7.7	8.5	8.3	9.8	10.4	8.8	8.3
Total Time and Savings Deposits (% change)	7.0	11.3	12.1	12.1	8.6	5.1	5.6	6.5	7.6	8.9	8.5	8.6	7.4
Selected Interest Rates (Percent)													
New Home Mortgage Commitment Rate	17.45	17.28	16.44	14.81	15.52	15.47	15.10	14.84	14.00	16.71	16.50	15.23	14.59
Real Mortgage Rate	13.16	12.36	9.84	8.72	9.31	9.67	9.07	8.04	3.82	7.85	11.02	9.02	8.19
Assumption Rate	11.97	11.59	11.78	11.92	12.11	12.06	11.92	11.54	10.70	11.00	11.82	11.91	11.16
Seller Take Back Mortgage Rate	12.50	12.10	12.30	12.50	12.50	12.50	12.20	12.05	11.50	11.80	12.35	12.31	11.50
Blended Rate	14.73	14.66	14.20	13.23	13.73	13.74	13.56	13.45	12.23	14.15	14.20	13.62	13.41
Corporate Bond Rate (AAA)	15.01	14.51	13.61	12.98	12.75	12.52	11.99	11.69	11.94	14.17	14.03	12.24	10.94
Government Bond Rate	14.45	14.10	12.15	11.69	13.24	12.73	11.50	11.62	11.51	14.34	13.09	12.27	10.87
Real Long-term Government Bond Rate	10.15	9.18	5.54	5.60	7.03	6.93	5.48	4.81	1.33	5.48	7.62	6.06	4.46
Federal Funds Rate	14.23	14.51	9.41	9.69	13.37	13.30	12.28	12.56	13.36	16.38	11.96	12.88	12.30
3 Month Treasury Bills	12.81	12.42	8.47	8.64	11.81	11.84	11.15	11.47	11.43	14.03	10.58	11.56	11.39
1 Year Treasury Bills	14.33	13.80	10.52	10.49	13.37	13.16	12.22	12.39	12.05	14.78	12.28	12.79	12.01
Commercial Paper Rate	13.81	13.81	9.72	9.49	13.43	13.46	12.57	12.94	12.66	15.33	11.71	13.10	12.83
Rate on Money Market Fund Shares	14.06	14.06	9.97	9.93	13.84	13.66	12.79	13.19	12.89	15.68	12.00	13.37	13.06
Prime Rate	16.27	16.50	13.92	12.43	14.53	15.20	14.76	14.70	15.27	18.87	14.78	14.80	14.41

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.